

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. NO.: 2632-01  
BILL NO.: HB 1227  
SUBJECT: Utilities; Consumer Protection  
TYPE: Original  
DATE: February 8, 2000

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>
Public Service Commission*	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\*Assumes costs of \$108,758, \$213,565 and \$201,957 in FY 01, FY 02 and FY 03, respectively, and an increase in the PSC assessment and appropriation, resulting in a net effect of \$0.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>
None	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses  
This fiscal note contains 5 pages.

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## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Economic Development - Public Service Commission (PSC)** assume the proposed legislation would have no fiscal impact on their agency. However, the proposal could have some impact to the PSC from the perspective that the PSC would likely lose some or even all Federal Grant funds for gas safety. Also, additional legislation that may be passed respecting the funding and staffing of the Board could create a cumulative fiscal impact to the agency.

**Oversight** assumes the proposal is silent regarding the placement of the new Missouri Energy Reliability Board. For purposes of this fiscal note, Oversight is assuming the Board would be placed under the PSC. Oversight has estimated travel expenses for the board members at \$8,758. annually. This is based on the assumption of four meetings per year for two days each.

**NOTE:** In a similar previous proposal, **Oversight** assumed the standards that were required to be developed, including maintenance standards, performance standards, reliability/maintenance standards and customer service standards would be developed by outside consultants. This assumption was based on information from a similar proposal, in which the PSC had indicated costs of \$450,000 for consultants to develop such standards. It was assumed the development of such standards would require the technical expertise of individuals in the utility industry. However, subsequent discussions with the PSC indicate there would not be the need for such extensive use of consultants and an updated estimate of \$100,000 should be adequate for outside consultants to assist in development of such required standards.

Also, in a similar previous proposal, **Oversight** assumed after development of the required standards, the Board would need ongoing staff similar to that requested by the PSC for utility restructuring to support the requirements of the Board as outlined in this proposal. Oversight included costs for six additional staff (6 FTE) to accomplish the requirements of utility restructuring and utilized the information provided by the PSC for that fiscal note regarding staffing needs. However, subsequently, the PSC has indicated that if the Board were placed under the PSC, they would not need six additional staff, since the PSC is currently involved in many of the functions outlined in this proposal. Therefore, **Oversight** has adjusted staffing needs to include only three additional staff (3 FTE) . These staff would include one Utility Regulatory Economist III, one Utility Regulatory Engineer I and one Legal Counsel, with related fringe, expense, equipment. **Oversight** assumes the additional FTE could be located using existing space and therefore, has not included rental costs in the fiscal impact specifications below. Costs for the FTE are not shown until FY 02. It is assumed the staff would not be needed to support the Board until after the standards were developed and approved.

ASSUMPTION (continued)

Finally, for utility restructuring, the PSC also assumed the need to contract with an outside consultant at an estimated cost of \$150,000 in two fiscal years. The consultant would be responsible for the development of market power analyses and the design of a market power monitoring system, suggesting market power criteria and indices, recommending rules and regulations for electric industry participants, recommending criteria and guidelines needed to verify and monitor that retail electric companies are functionally disaggregated, recommending criteria and guidelines needed to verify affiliate Retail Electric Provers (REPs) are operationally and functionally separate, recommending criteria for the development of an assignment plan for customers who do not choose a REP and recommending criteria and guidelines for quantification of transition costs and benefits. However, based on subsequent conversations with the PSC, this proposal would not require the functions necessary for utility restructuring. Therefore, **Oversight** has not included consultant costs for the development of market power analyses.

Additionally, Oversight assumes the PSC would increase the assessment to utilities and that appropriation would be made, resulting in a net effect of \$0.

Officials from the **Department of Economic Development - Office of Public Counsel (OPC)**, **Department of Natural Resources (DNR)** and the **Department of Labor and Industrial Relations (DOL)** assume the proposed legislation would have no fiscal impact on their agencies.

**Oversight** assumes **IF** the requirements of this proposal would result in a change in utility rates, state government agencies, local governments and small businesses could be fiscally impacted.

<u>FISCAL IMPACT - State Government</u>	FY 2001	FY 2002	FY 2003
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**PUBLIC SERVICE COMMISSION FUND**

Costs - Public Service Commission (PSC)

Personal Service (3 FTE)	\$0	(\$127,084)	(\$130,262)
Fringe Benefits	0	(39,078)	(40,056)
Expense and Equipment	(108,758)	(47,403)	(31,639)
Total <u>Costs</u> - PSC	(\$108,758)	(\$213,565)	(\$201,957)

Revenue-PSC

Assessment to utilities	\$108,758	\$213,565	\$201,957
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**ESTIMATED NET EFFECT ON  
 PUBLIC SERVICE COMMISSION FUND**

	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2001	FY 2002	FY 2003

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FISCAL IMPACT - Small Business

Small businesses could have a direct fiscal impact as a result of this proposal to the extent of changes to the operating requirements and potential rate changes to electric or gas users. Also, it could require additional paperwork and additional benefits for workers as part of a worker transition plan in the event of a closure or reorganization of the utility company.

DESCRIPTION

This bill creates the Missouri Energy Reliability Board to standardize the reliability, safety, and customer services practices of investor- and consumer-owned electric or gas companies. In addition to its rulemaking authority, the board is required to institute procedures to prevent overloads on systems and cost-shifting among regulated and competitive segments of the utilities. The board must report to the General Assembly every 2 years on the adequacy and reliability of the electric supply.

The bill also requires the board to establish minimum maintenance standards for electric or gas companies providing service within the state and requires the companies to file an annual preventive maintenance plan with the board, including inspection schedules and certain record maintenance.

The board will establish minimal performance standards for all electric or gas companies providing service within the state, including bonding of contractors and vendors, occupational safety and health standards, and reporting procedures for certain injuries, fatalities, or property damage of at least \$20,000.

The bill also requires the board to establish reliability and maintenance service standards for worker safety, including requirements to demonstrate necessary skills and certification to perform critical functions. The board will also establish minimum customer service standards for all electric or gas companies providing service in the state, including sufficient personnel to meet customer needs, timely action on requests for service and trouble reports, accurate billing information, a toll-free hotline, and certain information disclosures to retail customers upon request.

Any electric or gas company undertaking significant downsizing, merger, or other similar

DESCRIPTION (continued)

transaction is required to prepare a worker transition plan within 180 days of the final date of the

transaction. The company must inform affected employees prior to filing the final plan, and file notice with the board of any action that will result in layoffs. The plan must include such benefits to workers as voluntary severance, retraining, and outplacement services. The bill also requires the succeeding entity to recognize and work with the union representing the employees after the merger or other transaction if the company is party to a collective bargaining agreement recognized by federal or state law. The succeeding entity will refrain from making unilateral changes in the employees' terms and conditions of employment for a period of 3 years or until the existing contract expires, whichever is later.

The bill has an emergency clause.

This legislation is not federally mandated and would not require additional capital improvements or rental space. However, this proposal would result in duplication. The PSC safety jurisdiction, under Sections 386.310 and 394.160, and reliability, service, performance, information and customer service jurisdiction, under numerous Chapter 386 and Chapter 393 sections, are replaced or duplicated by the Missouri Energy Reliability Board.

This proposal would not affect Total State Revenues.

#### SOURCES OF INFORMATION

Department of Economic Development - Public Service Commission  
Department of Economic Development - Office of Public Counsel  
Department of Natural Resources  
Department of Labor and Industrial Relations



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Director  
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